



*Andrew Junkin  
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Managing Director*

December 3, 2008

Ms. Anne Stausboll  
Interim Chief Investment Officer  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Re: Revision to Global Principles of Accountable Corporate Governance

Dear Anne,

You requested Wilshire's opinion with respect to Staff's proposed changes to the Global Principles of Accountable Corporate Governance.

### **Recommendation**

**Wilshire recommends that the Policy Subcommittee approve the proposed revisions as they strengthen the Global Principles and provide greater clarity for users of the Principles.**

### **Discussion**

Staff is proposing a number of clarifying changes to the Principles, as outlined in their agenda item. To wit: specifying that executive compensation should be linked to *sustainable* long term performance; disclosing any hedging policies around executive stock ownership which would serve to negate the alignment of interests that equity ownership provides; clarifying that any accelerated vesting of equity grants is unacceptable; discouraging allowing voting rights on unvested equity ownership; and changing the name of the Audit Integrity section of the Principles to the "Integrity of Financial Reporting." We believe each of these changes strengthens and clarifies the intent of the Principles.

Additionally, Staff has proposed adding the UN Global Compact, in its entirety, as an appendix to the Global Principles. Lastly, Staff is proposing adding appropriate governance language regarding joint ventures by publicly traded companies. Again, we feel that these changes serve to heighten the effectiveness of the Global Principles.

## **Conclusion**

While the actual changes to this document appear to be de minimus (changing a word here or adding a word there), we believe that the proposed changes have a meaningful impact on the Global Principles by clarifying the Board's intent with how effective companies should be governed.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read "Ann Jain". The signature is fluid and cursive, with the first name "Ann" and last name "Jain" clearly distinguishable.